

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 AF-10 ARA-10 EA-10 EUR-12
NEA-11 OIC-02 /169 W
-----077770 051856Z /43

P 051844Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0461
INFO ALL EC CAPITALS

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USMTN, USEEC
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD, EEC
SUBJECT: DENMAN/MCDONALD MEETING, JUNE 2: TARIFFS

1. DENMAN SEEMED SINCERELY INTERESTED IN MAKING POSSIBLE
BIG FOUR AGREEMENT ON TARIFFS PACKAGE BY JULY 15. HE
PROMISED EC WOULD REFRAIN FROM FINALIZING WITHDRAWALS
UNTIL PERIOD OF INTENSIVE TARIFFS BARGAINING THE FIRST
WEEK OF JULY, BUT CAUTIONED THAT A SECOND LIST OF
"CONFIDENTIAL" WITHDRAWALS MIGHT COME INTO PLAY IF JAPAN
DOES NOT TABLE VALUABLE IMPROVEMENTS IN NEAR FUTURE.

2. DENMAN VOLUNTEERED THAT THE COMMISSION HAD SOME
FLEXIBILITY FOR NEGOTIATING GREATER-THAN-FORMULA CUTS IF
THE COMMISSION COULD SHOW THE ECONOMIC UTILITY OF MAKING
SUCH CUTS. HE SPECIFICALLY CITED THE AERONAUTICAL SECTOR
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AS ONE WHERE HE THOUGHT LIBERALIZATION BEYOND THE FORMULA
SHOULD BE POSSIBLE, BUT CAUTIONED THAT JAPAN WOULD HAVE
TO BE BROUGHT ALONG IN SUCH LIBERALIZATION.

3. WE USED THIS OPENING TO EMPHASIZE TO DENMAN THE
CRITICAL NATURE OF EC POSSIBLE WITHDRAWALS IN CERTAIN KEY
SECTORS (E.G., CHEMICALS AND FERTILIZERS, PAPER, OFFICE

EQUIPMENT AND TRUCKS). THE EC HINTED WILLINGNESS TO CONSIDER POSSIBLE EX-OUTS FOR PAPER PRODUCTS OF CRITICAL U.S. CONCERN WHEN AND IF EC WITHDRAWALS BECAME NECESSARY AND, IN CHEMICALS, TO PURSUE INTENSIVE DISCUSSIONS ON THE COMMUNITY OFFERS ONCE THE U.S. HAD SPECIFIED OFFERS ON ASP ITEMS.

4. DENMAN EXPRESSED PERSONAL CONCERN THAT THE PROBLEM OF U.S. RATE CONVERSIONS COULD "OVERBURDEN THE SHIP," MAKING JULY TARIFF AGREEMENTS IMPOSSIBLE. HE PROPOSED THAT THE U.S. REACH AGREEMENT WITH ITS TRADING PARTNERS ON THE DEPTH-OF-CUT ON ALL RATES AND LEAVE THE QUESTION OF LEGAL RATES (AND POSSIBLE CONVERSION) OPEN UNTIL POST-JULY 15. IF CONVERSION WAS THEN DESIRED BY THE U.S., WE SHOULD INITIATE ARTICLE XXVIII ACTIONS. WE THANKED HIM FOR THE SUGGESTION, BUT CAUTIONED THAT THE U.S. HAD A NUMBER OF INDUSTRIES WHICH WERE NOT WILLING TO SEE CONTINUED EROSION OF PROTECTION BECAUSE OF INFLATION. FOR THESE GROUPS, A LONG PERIOD OF RENEGOTIATION UNDER ARTICLE XXVIII WOULD NOT BE ACCEPTABLE. (COMMENT: OBVIOUSLY, AGREEMENT ON DEPTH-OF-CUT IMPLICITLY MEANS AGREEMENT ON AD VALOREM BASE RATES AND THE BASE PERIOD FOR SUCH CALCULATION. THEREFORE, IF THE U.S. AND THE EC WERE TO AGREE ON THE DEPTH OF CUT, THEY WOULD HAVE IMPLICITLY REACHED AGREEMENT ON THE CRUX OF ANY ARTICLE XXVIII ON RATE CONVERSION, I.E., THE BASE PERIOD FOR THE LIMITED OFFICIAL USE

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CALCULATION OF THE AD VALOREM EQUIVALENT. END COMMENT.)

5. DENMAN AND MCDONALD AGREED THAT TARIFFS WAS NOT A TOPIC FOR DECISION-MAKING AT THE JUNE 19 TRILATERAL MEETINGS IN WASHINGTON, BUT THOSE MEETINGS SHOULD BE USED, IF STILL NEEDED, TO APPLY JOINT PRESSURE ON JAPAN AND CANADA TO BE MORE FORTHCOMING IN THE TARIFFS AREA. DENMAN WENT ON TO SUGGEST THAT THE BIG FOUR ANNOUNCE ON THE 20TH THAT IMPROVEMENTS IN ALL THEIR OFFERS WERE BEING TABLED IMMEDIATELY IN GENEVA. MCDONALD PROMISED WE WOULD EXAMINE THE PROPOSAL, BUT THAT WE PROBABLY WOULD WANT TO HAVE A BILATERAL PREVIEW OF INTENDED IMPROVEMENTS BEFORE MULTILATERAL TABLING. DENMAN ALSO ASKED THE U.S. TO CONSIDER THE POSSIBILITY OF DELAYING THE FIRST TRANCHE OF STAGED TARIFF CUTS IN TWO SECTORS -- STEEL AND TEXTILES -- UNTIL 1982. THE EC THOUGHT THAT THIS MIGHT ALLOW MORE LIBERALIZATION BY COUNTRIES WHICH ARE NOW IN THE MIDST OF A RESTRUCTURING IN THESE INDUSTRIES. WE REPLIED THAT THE IDEA MIGHT HAVE MERIT BUT IT WOULD NEED STUDY IN WASHINGTON.

6. ACTION REQUESTED: WASHINGTON REACTION TO EC STAGING

PROPOSALS ON STEEL AND TEXTILES.

7. DRAFTED BY MARSH. MCDONALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFF AGREEMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA08550
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780234-1069
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780697/aaaadfmr.tel
Line Count: 119
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b8943d92-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2494101
Secure: OPEN
Status: NATIVE
Subject: DENMAN/MCDONALD MEETING, JUNE 2: TARIFFS
TAGS: ETRD, MTN, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b8943d92-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014